



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kowamura, Secretary

May 16, 2007

TO: All Fair CEO's & Accounting Staff

SUBJECT: FY 2006/07 STATEMENT OF OPERATIONS

We are pleased to present the FY 2006/07 Statement of Operations (STOP) instruction package. The package remains unchanged from the prior year except for a minor modification on the Preparation Guide for Schedule 8B Reconciliation of F&E Funds used for operating purposes. Please read the enclosed instructions prior to submitting your STOP.

The computerized STOP forms and worksheets are no longer being provided with this package. All necessary forms and worksheets are available for immediate download on the Division's website at www.cdfa.ca.gov/fe. However, forms and worksheets are available on diskette upon request. Requests can be made by calling our main telephone line at (916) 263-2955.

We also have updated circular letter F2004-36, Accounting Update and Recap, to reflect the change on the classification of Non-Fair funds received for operating purposes. Please see attached circular letter F2006-27, Accounting Update and Recap, to obtain guidance on current accounting policies and procedures associated with the posting and close-out of non-operating revenues and expenditures.

Revised Statement of Operations

Requests from fairs to submit revised STOPs after the September 1, 2007 deadline will only be considered if material discrepancies/errors were made on previously submitted STOPs. However, **absolutely no revised STOPs will be accepted after December 31, 2007** because of the State Controller's Office (SCO) GAAP reporting requirements that must be met by F&E each year. In short, **once financial data is submitted to the SCO each year, STOP balances and amounts must not change.** Any required adjustments to FY 2006/07 STOP balances and amounts after the December 31, 2007 deadline should be made via a **correcting journal entry in the FY 2007/2008 general ledger** (i.e., prior-year revenue or expense adjustments, accounts 49000 and 80000, respectively).



Submittal Deadline

All STOP submittals **must be postmarked to F&E by September 1, 2007.** The payment of any state funds is contingent upon receipt of a satisfactory budget and STOP in addition to compliance with other state requirements.

Enclosed Resources

Enclosed is information and instructions to facilitate the completion of the FY 2006/07 Statement of Operations (STOP) for your fair.

Additional Reporting Requirements

Additional reporting requirements (e.g. projected monthly cash budgets) may be required of some fairs. Fairs with reserves between 0% and 15% will continue to be assessed on a case-by-case basis, while additional reporting requirements will be mandatory for fairs reporting negative reserves. If additional reporting requirements are deemed necessary, F&E will contact the fair in approximately March or April of each year to discuss the details.

If you have any questions regarding this package please contact Mae Constantino at 916-263-2953, or email at mconstantino@cdfa.ca.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bruce Lim", with a stylized flourish at the end.

Bruce Lim
Assistant Director
Division of Fairs and Expositions

Enclosures

**CALIFORNIA DEPARTMENT OF FOOD & AGRICULTURE
DIVISION OF FAIRS & EXPOSITIONS**

FY 2006/07

STATEMENT OF OPERATIONS

CONTENTS

Documents

- FY 2006/07 Statement of Operations Cover Letter
- FY 2006/07 Statement of Operations Preparation Guide
- FY 2006/07 Statement of Operations Preparation Guide Exhibit I
- Checklist of items due September 1, 2007
- Statement of Operations Review Check Sheet
- Reminders for Adjusting and Closing Entries
- Circular Letter F2006-27, Accounting Update & Recap

California Department of Food & Agriculture
Division of Fairs & Expositions
FY 2006/07
STATEMENT OF OPERATIONS

Preparation Guide

This guide is designed to assist fairs with the preparation of their FY 2006/07 Statement of Operations (STOP). All STOPs must be submitted in accordance with the policies in these instructions.

Please provide all information requested and attach additional pages to explain or list other relevant information as needed. Be sure to reference the attachment with the correct account number and the name of the account. *If a particular section or area does not apply to your fair, please note "not applicable" to indicate it was not overlooked in error.* Please include your fair's FY 2006/07 theme, if any, on the bottom of page one.

Deadline

Due to the passage of Assembly Bill 2074 (Runner, Chapter 341, statutes of 2004), sponsored by the Western Fairs Association, the fairs' annual Statement of Operations (STOP) submittal deadline was extended to September 1st of each year beginning in 2005. Accordingly, we are asking that STOPs be **complete and postmarked no later than September 1, 2007**. Please do not request extensions.

What to Submit

Fairs must submit to F&E the original signed and completed Statement of Operations with appropriate schedules and attachments. Also include a June 30, 2007 *pre-closing* trial balance (after all adjusting entries have been made but prior to closing revenues and expenses) and a *post-closing* trial balance (after revenues and expenses have been closed out). For a detailed listing of what to submit, see the Statement of Operations checklist included in this package.

SCHEDULES

The following schedules are part of the completed STOP package:

Schedule 1, Statement of Financial Condition

The Statement of Financial Condition reflects all asset, liability and net resources (i.e., reserve) account balances after the revenue and expenditure accounts are closed for FY 2006/07. In other words, the details of the post-closing trial balance are summarized and recorded on this schedule.

Schedule 2, Accounts Receivable and Accounts Payable

Provide details [year, individual(s), and amount] for outstanding revenue due the fair as of 6/30/07; include uncollected junior livestock auction amounts. Record this information in the top portion of the form—the total must agree with the amount reflected on Schedule 1 as accounts receivable. (Remember to deduct your “Allowance for Doubtful Accounts” from total accounts receivable.)

Record the details of accounts payable (amounts owed by the fair) as of 6/30/07 on the bottom portion of this form. Again, the total must agree with the corresponding line item on Schedule 1.

For either section, a computer printout of the information is acceptable, providing you note on the schedule “See attached printout” and show total(s) in spaces provided on Schedule 2.

Schedule 3, Reconciliation of Bank Accounts

Each bank account must be shown separately on Schedule 3. This includes all checking, payroll and savings accounts, as well as the premium and junior livestock auction accounts and any other special cash accounts reflected in the general ledger. Make sure to include the general ledger amounts for petty cash and change funds at the bottom of the page. The total of all accounts shown on Schedule 3 must agree with the amount recorded as “Sub-Total Cash Accounts” on Schedule 1. Make additional copies of this schedule as necessary to report all accounts.

Schedule 4, FY 2006/07 Fair Statistics

Please include all line item details requested, including free attendance breakdown and pass information. The total paid admission must agree with the amount reported on page 3, Account 41000. Likewise, the total parking information must agree with the parking revenue reported in Account 47100 on page 4. If necessary, attach and label additional pages and be sure to note “See attachments” and record totals on the schedule where indicated.

Schedule 5, FY 2006/07 Events Not Sponsored by the Fair

Please provide the information requested regarding interim rentals held on your grounds. If your organization contracts for other events in other major categories, you may add them to this form. Also, please include totals at the bottom of the “Estimated Attendance” column. Please try and be as accurate as possible. This information is used in the annual fair classification evaluations.

Schedule 6, Permanent Positions on Payroll for FY 2006/07

Please provide the information requested, including account number, class title, number of months employed, and pay rate for each permanent position. District Agricultural

Associations are to use the exact civil service class title, but county & non-profit fair associations may use the position working title. This information will be used in the annual fair classification evaluations.

Schedule 7, Property, Plant & Equipment Acquisitions & Dispositions

This form is designed to capture all property, plant & equipment (PP&E) acquisitions and dispositions during FY 2006/07, and provides the year-end amount of investment in capital assets. This total automatically carries to page 1 and Schedule 1 as "Net Resources: Investment in Capital Assets." For step-by-step instructions on completing this form, please see Exhibit I to this preparation guide.

Note that "Construction in Progress" (CIP) is used to record capital expenditures for projects that are "in progress" and not yet complete. While CIP is an asset account and increases the Fair's investment in capital assets, depreciation of the assets do not commence until the project is fully completed and CIP is reclassified to appropriate capital asset account.

Schedule 8A, Non-Fair Funds Reconciliation for Capitalized Projects

Please enter all resources received to "Capital Project Reimbursements," account 31900, on this schedule. Separate them out into the appropriate categories as listed on the form.

Enter the corresponding capital investment in the appropriate section of the form. If the project funds were run through the fair's books (i.e., if the fair paid the vendors directly), enter this information under "Resources Applied (Run through Fair's Accounting System)." If the capital expenditures were paid directly by outside sources (i.e., CCA), enter this information under "Resources Applied (Paid directly by CCA)." Do not include fair funded expenditures.

"Resources appropriated in prior year" (top of schedule) should be used to reflect resources acquired in a prior year that were previously recorded as deferred revenue, but is now being recognized as revenue in the current year. Deferred revenue is recorded when a fair receives resources in one year, but does not expect to expend the funds on a capital project until a subsequent year. The recognition of the revenue takes place when such funds are ultimately spent on the capital project for which the funds were designated.

Total Resources received less funds remaining (deferred revenue) from this schedule are automatically carried to page 1.

Schedule 8B, Reconciliation of F&E Funds Used for Operating Purposes * UPDATED *

This schedule should be used to summarize F&E funds received and spent on operating activities that are not related to capital projects (e.g. Flex Capital, etc.) and posted to account #34000, Other Resources Acquired. Other non-fair funds (funds from non-profit arm of the fair, non-governmental grants or contributions, etc.) received for operating purposes should no longer be included on Schedule 8B, nor posted to account #34000. Such receipts should be posted to the appropriate operating revenue account such as other revenue, donations, etc. Do not include fair funded expenses. Totals from this schedule are automatically carried to page 1 and 10.

Account 94500, Other Operating Expense, shall be used to record fair operating expenses funded from F&E funds. Utilizing Account 94500 to capture all operating expenses funded by F&E will allow the fair and F&E to separately identify the status of these funds received, which were received by the Fair for specified program purposes. This will ensure that all such funds are ultimately spent in accordance with program criteria.

SPECIAL REPORTS

Junior Livestock Auction (JLA)

Report the FY 2006/07 JLA activity on the separate STATEMENT OF OPERATIONS – JUNIOR LIVESTOCK AUCTION form. **Do not include the totals on pages 1 through 10 of the regular STOP.** At year-end, JLA revenue and expense accounts are closed to account 25100, JLA Reserve. The June 30th adjusted balance in the general ledger must agree with the amount reported on Schedule 1 under Net Resources, Reserve for Junior Livestock Auction.

Satellite Wagering

Provide all satellite wagering revenue and expense details on the separate “Summary of Satellite Wagering” form (SW1). Satellite Wagering Labor Detail (SW2) will capture the detail behind the satellite wagering salary account. Satellite Wagering Statistics (SW3) is designed to capture all admission and parking statistics.

Motorized Racing (Fair Produced)

Provide all motorized racing (fair-produced only) revenue and expense details on the separate “Summary of Motorized Racing” form (MR). Motorized Racing Labor Detail (MRL) will capture the detail behind the motorized racing salary account.

Questions?

Please direct any questions regarding preparation of the Statement of Operations to:

Mae Constantino
Associate Accounting Analyst
Division of Fairs & Expositions
(916) 263-2953 (office)
(916) 263-2969 fax
E-mail: mconstantino@cdfa.ca.gov

**California Department of Food & Agriculture
Division of Fairs & Expositions
FY 2006/07
STATEMENT OF OPERATIONS**

**Preparation Guide
Exhibit 1**

STATEMENT OF OPERATIONS - OPERATING FUND

Legal name of fair

Location

SUMMARY: July 1, XXXX to June 30, XXXX	Account Number	Actual XXXX/XX
TOTAL NET RESOURCES, July 1	29100	A
Unrestricted Net Resources		A1
Restricted Net Resources		A2
Investment in Capital Assets, Net of Related Debt		A3
Subtotal		B
RESOURCES ACQUIRED:		
Operating Revenues (from page 2)		C
Section 19630, Business & Professions Code		
State (Local/Base) Allocations (to Page 2):	31200	D
Fiscal & Administrative Assistance (F&E) (to Page 2):	31300	E
Capital Project Reimbursement Funds (from Sched 8A)	31900	F
Contributions from Other Gov't (non-F&E) Sources (to Page 2)	33000	G
Other (e.g., Flex Capital used for oper.) (From Sched 8B & to Page 2)	34000	H
TOTAL RESOURCES		I
RESOURCES APPLIED:		
Operating Expenditures (from page 2)		J
Other Operating Expenditures (e.g., audit adjustments)		K
Subtotal - Operating Expenditures (Excluding Depreciation)		L
Depreciation Expense (from page 10)	90000	M
TOTAL EXPENDITURES		N
TOTAL NET RESOURCES, June 30	29100	O
Unrestricted Net Resources		O1
Restricted Net Resources		O2
Investment in Capital Assets, Net of Related Debt (from Sched 7)		O3
Total Net Resources (check figure - should equal #29100)		P
UNRESTRICTED RESERVE PERCENTAGE		Q

Please list the theme of your fair for this reporting period: _____

CEO

Date

PAGE 1:

- A. Complete "A1" through "A3" below and enter total here.
- A1. Beginning FY 2006/07 Unrestricted Net Resources as of July 1st should equal Actual FY 2005/06 Unrestricted Net Resources at June 30th as shown on your FY 2005/06 STOP.
- A2. Beginning FY 2006/07 Restricted Net Resources as of July 1st should equal any restricted net resources held by the fair as of June 30, 2006. Some fairs account for restricted net resources in separate general ledger sub-accounts (e.g., account 29300). While this is an acceptable option for fairs, it is important that all such accounts roll into total net resources, account 29100, on both Schedule 1 and Page 1 of the FY 2006/07 STOP.
- A3. If you converted to depreciation prior to FY 2005/06, this number should match the Actual FY 2005/06 Investment in Capital Assets at July 30th as shown on your FY 2005/06 STOP. If conversion took place in FY 2006/07, this number is determined by using the following formula with account balances immediately following the conversion:
- Account 19000 (Construction in Progress) + Account 19100 (Land) + Account 19200 (Buildings & Improvements) + Account 19300 (Equipment) + Account 19400 (Leasehold Improvements) less Account 19201 (Accumulated Depreciation-Buildings & Improvements) less Account 19301 (Accumulated Depreciation-Equipment) less Account 19401 (Accumulated Depreciation-Leasehold Improvements) less any long-term debt associated with fixed assets
- B. This number is automatically calculated by the template and should match amount shown in "A" above.
- C. This number carries from page 2. No manual entry is required.
- D. Enter the total amount of your FY 2006/07 State (Local/Base) Allocation
- E. Enter the total amount of Fiscal & Administrative Assistance received from F&E in FY 2006/07.
- F. This number carries from Schedule 8A. No manual entry is required.
- G. Enter the total amount of governmental funds (excluding F&E funds) received in FY 2006/07. These funds include county contributions, funds from other State agencies, etc.
- H. This number carries from Schedule 8B. No manual entry is required.
- I. This number is automatically calculated by the template and requires no manual entry.
- J. This number is automatically carried forward by the template and represents total operating expenses excluding depreciation expense.
- K. Enter any other operating expenditure not shown in "J" above (e.g. audit adjustments made directly to total net resources). Do not include depreciation expense.

- L. This number is automatically calculated by the template and represents the total amount of operating expenditures, excluding depreciation expense. This number is used by the template to calculate the fair's Unrestricted Reserve Percentage.
- M. This number is automatically carried forward by the template and represents annual depreciation expense.
- N. This number is automatically calculated by the template and represents total expenditures for the year.
- O. This number is automatically calculated by the template and represents total ending net resources (restricted, unrestricted and Investment in Capital Assets).
- O1. This number is automatically calculated by the template and represents the amount of ending unrestricted (or available) net resources. The template calculates this number by subtracting the ending Investment in Capital Assets (carried from Schedule 7) and Restricted Net Resources (see "O2" below) from the total ending net resources, account 29100.
- O2. This number must be manually entered and represents any balance remaining in restricted net resources. If general ledger sub-accounts are used for restricted net resources, then this number represents the aggregate of the sub-accounts.
- O3. This number is automatically carried forward from Schedule 7 and represents the ending Investment in Capital Assets.
- P. This number is automatically calculated by the template and should be used as a check number to verify the accuracy of the breakdown of Total Net Resources. This check number should equal the number from step "O".
- Q. The reserve percentage is automatically calculated by dividing the ending unrestricted resources by the Subtotal - Operating Expenditures (Excluding Depreciation) ($O1 \div L$).

**PROPERTY, PLANT & EQUIPMENT
ACQUISITIONS & DISPOSITIONS**

0

(Legal Name of Fair)

	XXXX/XX	
PROPERTY, PLANT & EQUIPMENT (PP&E), July 1:	0.00	1
ACQUISITIONS OF FIXED ASSETS:		
Land	0.00	2
Buildings & Improvements:		
Major Maintenance (MMP) Projects	0.00	
ADA Projects	0.00	
Building Improvements	0.00	
Land Improvements	0.00	
Leasehold Improvements	0.00	
New Construction	0.00	
Construction in Progress	0.00	
Equipment	0.00	
Other Fixed Assets	0.00	
Other:	0.00	
TOTAL ACQUISITIONS OF FIXED ASSETS	0.00	
TOTAL PP&E BEFORE DISPOSITIONS & DEPRECIATION	0.00	
DISPOSITION OF FIXED ASSETS (Salvaged, Sold, etc.):		
Land	0.00	3
Buildings & Improvements	0.00	
Equipment	0.00	
Other Fixed Assets	0.00	
Other:	0.00	
TOTAL DISPOSITIONS OF FIXED ASSETS	0.00	
PP&E BEFORE DEPRECIATION, June 30	0.00	4
DEPRECIATION:		
Accumulated Depreciation, July 1	0.00	5
A/D Prior Year Audit Adjustments	0.00	6
A/D on Dispositions of Fixed Assets above	0.00	7
Annual Depreciation Expense (from page 10)	0.00	8
Accumulated Depreciation, June 30	0.00	9
PP&E, NET OF DEPRECIATION, June 30	0.00	10
LONG-TERM DEBT (ASSOCIATED WITH FIXED ASSETS)	0.00	11
INVESTMENT IN CAPITAL ASSETS, June 30: (to page 1 and Schedule 1)	0.00	12

NOTE: Enter all numbers as a positive.

SCHEDULE 7:

1. This number is manually entered using the following formula:

$$\text{Account 19000 (Construction in Progress)} + \text{Account 19100 (Land)} + \text{Account 19200 (Buildings \& Improvements)} + \text{Account 19300 (Equipment)} + \text{Account 19400 (Leasehold Improvements)}$$
 - If you converted to depreciation prior to FY 2006/07, use the account balances above as of 7/1/06.
 - If you converted to depreciation in FY 2006/07, use the account balances immediately following conversion.
2. List all acquisitions (purchases, new construction, etc.) occurring in FY 2006/07. Include all F&E/CCA funded projects, projects funded by outside entities (county, Friends of the Fair, etc.), and projects funded by the fair. Completed project amounts for F&E/CCA projects may be pulled from Project Close-Out sheets provided to the fair at completion of project.
3. List all assets disposed of in FY 2006/07. Dispositions include lost, salvaged, sold and stolen assets, plus destruction of buildings.
4. This number is automatically calculated by the template and represents the total Property, Plant and Equipment as of June 30, 2007, before depreciation.
5. This number is manually entered using the following formula:

$$\text{Account 19201 (Accumulated Depreciation--Buildings \& Improvements)} + \text{Account 19301 (Accumulated Depreciation--Equipment)} + \text{Account 19401 (Accumulated Depreciation--Leasehold Improvements)}$$
 - If you converted to depreciation prior to FY 2006/07, use the account balances above as of 7/1/06.
 - If you converted to depreciation in FY 2006/07, use the account balances immediately following conversion.
6. Enter Prior Year Audit Adjustments related to Accumulated Depreciation, if any.
7. Enter the Accumulated Depreciation on disposition of fixed assets, if any.
8. This number carries from Page 10. No manual entry is required.
9. This number is automatically calculated by the template and represents the total accumulated depreciation as of June 30, 2007.
10. This number is automatically calculated by the template and represents the total Property, Plant & Equipment less depreciation (i.e., net book value), as of June 30, 2007.
11. Enter the total liability balance of any long-term debt associated with fixed assets as of June 30, 2007.
12. This number is automatically calculated by the template and represents the total Investment in Capital Assets as of June 30, 2007. This number automatically carries forward to Page 1 and Schedule 1 of the template as the ending Investment in Capital Assets.

**California Department of Food & Agriculture
Division of Fairs & Expositions
FY 2006/07 STATEMENT OF OPERATIONS
DUE SEPTEMBER 1, 2007**

FY 2006/07 Statement of Operations:

- ☐ Pages 1-10 (Signature required on page 1)
- ☐ Schedule 1, Statement of Financial Condition
- ☐ Schedule 2, Schedule of Accounts Receivable and Accounts Payable
- ☐ Schedule 3, Reconciliation of Bank Accounts
- ☐ Schedule 4, FY 2006/07 Fair Statistics
- ☐ Schedule 5, FY 2006/07 Events Not Sponsored by the Fair
- ☐ Schedule 6, Permanent Positions on Payroll for FY 2006/07
- ☐ Schedule 7, Property, Plant & Equipment Acquisitions & Dispositions
- ☐ Schedule 8A, Non-Fair Funds Reconciliation for Capitalized Projects
- ☐ Schedule 8B, Reconciliation of F&E Funds Used for Operating Purposes
- ☐ Statement of Operations – Junior Livestock Auction (Signature required)

Fair organizations with Satellite Wagering Facilities:

- ☐ SW1, Summary of Satellite Wagering
- ☐ SW2, Satellite Wagering Labor Detail
- ☐ SW3, Satellite Wagering Statistics

Fair organizations with Motorized Racing (fair-produced):

- ☐ MR, Summary of Motorized Racing
- ☐ MRL, Motorized Racing Labor Detail

DAAs only:

- ☐ Federal Labor Standard Act (FLSA) Recreational Exemption (2 COPIES)

Reports:

- ☐ June 30, 2007 Pre-closing Summary Trial Balance
- ☐ June 30, 2007 Post-closing Summary Trial Balance

For ease of processing, do not staple pages together; instead please use binder clip on completed package.

California Department of Food & Agriculture
Division of Fairs & Expositions
FY 2006/07 STATEMENT OF OPERATIONS

Review Check Sheet

You can avoid some of the most common errors associated with Statement of Operations (STOP) preparation by double-checking the following:

- ☐ Is the STOP complete and mathematically correct?
- ☐ Does the beginning reserve for FY 2006/07 agree exactly with the ending reserve on the FY 2005/06 STOP as submitted to Fairs & Expositions?
- ☐ Do the supporting schedules appropriately "roll up" to summary pages?
- ☐ Does the ending reserve on page 1 match account 29100 as shown on Schedule 1?
- ☐ Does the Junior Livestock Summary reserve amount match the 25100 account on Schedule 1?
- ☐ Is Schedule 1 in balance (Total Assets equal Total Obligations and Resources)?
- ☐ Does the subtotal cash on Schedule 1 match the total on Schedule 3?
- ☐ Schedule 1: Does the subtotal property accounts minus any long-term debt related to fixed assets equal to Investment in Capital Assets, Net of Related Debt?
- ☐ Do the accounts receivable and accounts payable amounts shown on Schedule 1 match the detail totals on Schedule 2?
- ☐ Schedule 3: ~Are all bank accounts in balance? Did you remember to include petty cash and change funds in spaces provided at bottom?
- ☐ Schedule 4: Does the total amount for tickets sold match account 41000 on page 3? Does the total parking revenue match account 47100 on page 4?
- ☐ Are all pages, schedules, and exhibits complete and contain all required signatures?

California Department of Food & Agriculture
Division of Fairs & Expositions
FY 2006/07 STATEMENT OF OPERATIONS

Reminders for Adjusting & Closing Entries

- ☐ Analyze any asset account that contains a credit balance – there may be posting errors.
- ☐ Analyze any liability account that contains a debit balance – there may be posting errors.
- ☐ Accrue 4th quarter interest on all savings accounts.
- ☐ Accrue all bank fees.
- ☐ Accrue all revenue earned but not received as of 6/30/07.
- ☐ Accrue expenses incurred but not paid as of 6/30/07.
- ☐ Adjust compensated absence liability to actual at 6/30/07: If account 24500 in the general ledger is greater than actual liability, debit account 24500 and credit account 50300; if the general ledger account is less, debit account 50300 and credit account 24500.
- ☐ Verify that all depreciation expense for current year has been posted to account 90000.
- ☐ Close JLA accounts to auction reserve, account 25100.
- ☐ Close local base (State) allocations, account 31200, to net resources, account 29100.
- ☐ Close all general operating revenue and expense accounts to account 29100.
- ☐ Analyze special project revenue and expense accounts and make appropriate adjusting entries (see enclosed Circular Letter F2006-27, Accounting Update & Recap, for instructions). Close any balance of these accounts to net resources, account 29100.



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

December 1, 2006

F2006-27

TO: All Fair CEO's & Accounting Staff

SUBJECT: Accounting Update & Recap

This circular letter supersedes circular letter F2004-36, Accounting Update & Recap dated December 31, 2004.

Over the past several years, there have been a number of significant changes to fair accounting policies and reporting procedures, namely the conversion to depreciation. Understanding the impact these changes have had on the fair industry, the Division of Fairs and Expositions (F&E) is more committed than ever to finding ways to streamline and simplify the overall accounting process for fairs. With this in mind, we are providing you this accounting update and recap that summarizes current accounting policies and procedures associated with the posting and close-out of non-operating revenues and expenditures, the current chart of accounts, and information communicated to the fairs during previous budget workshops.

CHART OF ACCOUNTS

The attached Chart of Accounts incorporates all changes (e.g., additions and deletions) to fair general ledger accounts since the issuance of the Accounting Procedures Manual (APM). This chart of accounts, distributed to the fair industry via circular letter F2004-36 in December of 2004, remains unchanged.

Below is a summary and brief description of several revenue and expense accounts that have periodically raised questions as to proper use. The summary is intended to help clarify those questions.

Revenue Accounts

- **State (Local/Base) Allocations – Account #31200.** Self-explanatory.
- **Fiscal & Admin Assistance funds from F&E – Account #31300.** Fiscal assistance to fairs during pre-intervention, or intervention. Represents funds that are not required to be repaid by the fair.



- **Capital Project Reimbursement Funds – Account #31900.** Funds received by fairs from all outside sources (e.g., state, local government, private, non-profit arm of the fair, etc.) used for capital projects. Use of this account helps distinguish external funds versus fair funds spent on capital projects.
- **Contributions From Other Governmental (non-F&E) Sources– Account #33000.** Allocations received from local, state (non-F&E) and federal government sources.
- **Other - Account #34000 *UPDATED*.** Funds received solely from F&E for operational expenditures (flex capital, etc.). All other non-fair funds (e.g. funds from non-profit arm of the fair, non-governmental grants or contributions, etc.) received for operating purposes should be posted to the appropriate operating revenue account such as other revenue, donations, etc.

Expense Accounts

- **Other Operating Expense – Account #94500 *UPDATED*.** Starting in January 2007, this account will strictly reflect F&E funds spent on operating expenses. Use of this account is intended to enhance the tracking and status of F&E funds received by the fair for specified operating purposes. Schedule 8B in the STOP template summarizes the details of this account at year-end.
- **Standard Expense Accounts – Account #50000-72300 *UPDATED*.** Starting in January 2007, all other outside funds (e.g. funds from non-profit arm of the fair, non-governmental grants or contributions, etc.) spent on operating expenses shall be posted to their standard operating expense accounts.

SAMPLE JOURNAL ENTRIES FOR COMMON FAIR SCENARIOS

The following sample journal entries have been compiled from the regional budget workshops that took place in November 2004, based on questions and inquiries from participating fairs.

Scenario #1 - Accounting for Non-Fair Funds Used for Capital Improvements

Scenario	Acct. No.	Debit	Credit
J/E 1 – CASH RECEIPT			
Cash	11000- 11800	\$XXX	
Capital Project Reimbursement Funds	31900		\$XXX
<i>To record cash received from outside source (e.g. F&E) for an approved capital project.</i>			

Scenario	Acct. No.	Debit	Credit
J/E 2 – CASH DISBURSEMENT			
Construction in Progress (CIP), or Property, Plant and Equipment (PPE)	19000 or 19100- 19400	\$XXX	
Cash	11000- 11800		\$XXX
<i>To record cash disbursement for capital project expenditures. CIP is used to record the project asset during construction and until the project is complete. If the expenditure signifies the completion of the project, then PPE would be used. All previously recorded CIP for the project would also be reclassified to PPE upon completion of the project. Depreciation of the asset commences at the completion of the project.</i>			
J/E 3 – FAIR ADVANCES PROJECT FUNDS (IF APPLICABLE)			
CIP or PPE	19000 or 19100- 19400	\$XXX	
Cash	11000- 11800		\$XXX
<i>Same description as JE 2</i>			
Accounts Receivable	13100	\$XXX	
Capital Project Reimbursement Funds	31900		\$XXX
<i>To record reimbursement due from outside source (e.g., F&E or CCA).</i>			
J/E 4 – RECLASSIFY UNSPENT PROJECT FUNDS RECEIVED (IF APPLICABLE)			
Capital Project Reimbursement Funds	31900	\$XXX	
Deferred Revenue	22800		\$XXX
<i>To reclassify unspent capital project funds at year-end. Revenue should be recognized in the year it is spent for purposes intended.</i>			

Scenario	Acct. No.	Debit	Credit
J/E 5 – YEAR-END CLOSING			
Capital Project Reimbursement Funds	31900	\$XXX	
Total Net Resources	29100		\$XXX
<i>To close-out non-operating revenue received from outside sources for fair capital projects. Note that all revenues and expenses now close to Total Net Resources, Account 29100. A separate net resources (reserve) account (i.e., the old Account 29200) for F&E funded projects is no longer used and has been eliminated due to the implementation of depreciation.</i>			

Notes:

- While the implementation of depreciation at fairs eliminated the need to expense capital project costs, the effect of cash disbursements for capital projects on a fair's "Unrestricted Net Resources" (i.e., available reserves) remains the same. With depreciation in place, cash disbursements for capital projects increases a fair's "Investment in Capital Assets," which directly decreases a fair's "Unrestricted Net Resources" (i.e., available reserves).
- It is permissible to use sub-accounts for tracking individual projects within the Construction in Progress account if desired.

Scenario #2 - Accounting for F&E Funds Used for Operations

Scenario	Acct. No.	Debit	Credit
J/E 1 – CASH RECEIPT			
Cash	11000-	\$XXX	
Other Non-Operating Revenue	11800 34000		\$XXX
<i>To record cash received from F&E for operating expenditures (e.g. Flex Capital).</i>			

Scenario	Acct. No.	Debit	Credit
J/E 2 – CASH DISBURSEMENT			
Other Operating Expense	94500	\$XXX	
Cash	11000- 11800		\$XXX
<i>To record cash disbursement for operating expenses funded by F&E. Schedule 8B of the STOP template summarizes the year-end details of Account 94500 on annual basis.</i>			
J/E 3 – RECLASSIFY UNSPENT F&E FUNDS RECEIVED (IF APPLICABLE)			
Other Non-Operating Revenue	34000	\$XXX	
Deferred Revenue	22800		\$XXX
<i>To reclassify unspent F&E funds at year-end. Revenue should be recognized in the year it is spent for purposes intended.</i>			
J/E 4 – YEAR-END CLOSING			
Total Net Resources	29100	\$XXX	
Other Operating Expense	94500		\$XXX
<i>To close-out operating expenses from F&E funds at year-end.</i>			

Scenario #3 - Accounting for Non-Fair & Non-F&E Funds Used for Operations

Scenario	Acct. No.	Debit	Credit
J/E 1 – CASH RECEIPT			
Cash	11000- 11800	\$XXX	
Standard Revenue Accounts	41000- 49500		\$XXX
<i>To record cash received from outside sources (e.g. non-F&E funds, private grant, non-profit arm of the fair) allocated for operating expenses.</i>			

Scenario	Acct. No.	Debit	Credit
J/E 2 – CASH DISBURSEMENT			
Standard Expense Accounts	50000- 72300	\$XXX	
Cash	11000- 11800		\$XXX
<i>To record cash disbursement for operating expenses funded by outside sources (non-F&E).</i>			
J/E 3 – RECLASSIFY UNSPENT NON-F&E FUNDS RECEIVED (IF APPLICABLE)			
Standard Revenue Accounts	41000- 49500	\$XXX	
Deferred Revenue	22800		\$XXX
<i>To reclassify unspent non-F&E funds at year-end. Revenue should be recognized in the year it is spent for purposes intended.</i>			
J/E 4 – YEAR-END CLOSING			
Total Net Resources	29100	\$XXX	
Standard Expense Accounts	50000- 72300		\$XXX
<i>To close-out operating expenses from outside sources (non-F&E) funds at year-end.</i>			

Scenario #4 - Accounting for F&E Funds Expended by CCA on Behalf of the Fair

Scenario	Acct. No.	Debit	Credit
J/E 1 – FAIR ADVANCES PROJECT FUNDS (IF APPLICABLE)			
Construction in Progress (CIP)	19000	\$XXX	
Cash	11000- 11800		\$XXX
<i>To record cash disbursement for capital project expenditures, where the fair advances the funds.</i>			
Accounts Receivable	13100	\$XXX	
Capital Project Reimbursement Funds	31900		\$XXX
<i>To record reimbursement due from outside source (e.g. F&E or CCA).</i>			

Scenario	Acct. No.	Debit	Credit
J/E 2 – RECONCILE CCA PROJECT CLOSEOUT			
Property, Plant and Equipment (PPE)	19100-	\$XXX	
Capital Project Reimbursement Funds	19400		\$XXX
31900			
<i>To capitalize completed project as evidenced by CCA project closeout. Amount posted should equal total funds spent by CCA on behalf of the Fair that did not run through the fair's records. Also note that revenue recognition for state funds spent by CCA on behalf of the fair takes place during this step.</i>			
J/E 3 – RECLASSIFY CIP AT COMPLETION OF PROJECT			
Property, Plant and Equipment (PPE)	19100-	\$XXX	
CIP	19400		\$XXX
	19000		
<i>To reclassify previously recorded CIP at completion of the project as evidenced by CCA project closeout. Amount of reclassification plus amounts posted in JE 2 should equal total final cost of the project.</i>			
J/E 4 – YEAR-END CLOSING			
Capital Project Reimbursement Funds	31900	\$XXX	
Total Net Resources	29100		\$XXX
<i>To close-out non-operating revenue received from outside sources for fair capital projects. Note that all revenues and expenses now close to Total Net Resources, Account 29100. A separate net resources (reserve) account (i.e., the old Account 29200) for F&E funded projects is no longer used and has been eliminated due to the implementation of depreciation.</i>			

Notes:

- See notes for Scenario #1.

Should you have any questions regarding this circular letter or need additional information, please contact Mae Constantino at 916-263-2953 or email at mconstantino@cdfa.ca.gov.

This circular letter supersedes all previous accounting policies associated with the topics discussed in this letter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bruce Lim', with a long horizontal stroke extending to the right.

Bruce Lim
Assistant Director
Division of Fairs and Expositions

Enclosures

CHART OF ACCOUNTS

ASSETS

11000	Cash in Bank - Restricted Cash
11100	Petty Cash
11200	Change Funds (fair may use sub-accounts for fairtime, satellite, etc.)
11300	Cash in Bank - Operating Account
11400	Cash in Bank - Premium Account
11500	Cash in Bank - Payroll Account
11600	Cash in Bank - Time Deposits, Money Market
11700	Cash in Bank - Junior Livestock Auction (Contra liability account 25100)
11800	Cash in County Treasury
13000	Notes Receivable
13100	Accounts Receivable
13110	Allowance for Doubtful Accounts
13300	Accounts Receivable - Fairs & Exposition Fund
14100	Inventory - Souvenir Merchandise
14300	Deferred Charges
14700	Deferred Loan Expense (to be used when the cash does not pass through the fair's account)
15000	Deposits (for utilities service & insurance)
16200	Special Deposits - Sale of Property
19000	Construction in Progress
19100	Land
19200	Building and Improvements
19201	Accumulated Depreciation - Buildings and Improvements
19300	Equipment
19301	Accumulated Depreciation - Equipment
19400	Leasehold Improvements
19401	Accumulated Depreciation Leasehold Improvements

OBLIGATIONS AND NET RESOURCES

21100	SELL (Special Events Liability) Insurance Fees Payable
21200	Accounts Payable
21250	Current Portion of Long Term Debt
21300	Sales Tax Payable
22100	Social Security Tax Withheld
22200	PST Taxes Withheld
22300	State Retirement Contributions Withheld
22400	State Withholding Tax Deducted
22500	Federal Withholding Tax Deducted

22600	Other Payroll Deductions (Medical, Life Insurance, Dental, Union Dues, etc.)
22700	Drug Fees Collected - Horse Show
22800	Deferred Revenue
22900	Horse Racing License Fee (Live tracks)
23000	Purses, Breeder's Awards, Horsemen's Acct., Owner's Premium Payable (Live tracks)
24100	Guarantee Deposits (On stall rentals, plans, key, cleanup deposits)
24500	Leave Liability
25000	Long Term Debt (less current portion in account 21250)
25100	Junior Livestock Auction Net Resources (Reserve)
25200	Junior Livestock Auction Consignment
29100	Total Net Resources
29300	Restricted Resources

NON-OPERATING REVENUES	
31200	State (Local/Base) Allocations
31300	Fiscal and Administrative Assistance (F&E)
31900	Capital Project Reimbursement Funds
33000	Contributions from Other Governmental Sources (non-F&E)
34000	Other (Explain)

OPERATING REVENUES	
41000	Admissions to Grounds
41010	Regular Fair Admissions
41020	Discounted Fair Admissions
41500	Industrial & Commercial Space
41510	Outside Commercial Space
41520	Inside Commercial Space
42000	Concessions
42100	Carnival
42110	Carnival: Pre-Sale
42200	Food Concessions (May use sub-account for local/professional)
42300	Other Non-Food Concessions (Novelties, photo booths, etc.)
43000	Exhibits
43100	Entry Fees
43200	Donated and Sponsored Awards (May use sub-accounts for cash awards/trophies)
43300	Advertising in Premium Book
43400	Other (explain)
44000	Horse Show
44100	Admissions
44200	Entry and Stakes Fees
44300	Donations for Special Prizes
44400	Stall Fees

44500	Program Sales
44600	Other (explain)
45000	Horse Racing (Live)
45100	Admissions
45200	Track Commissions and Breakage
45300	Program Sales
45400	Concessions
45500	Other (explain)
45005	Horse Racing (Satellite Wagering)
45105	Admissions
45205	Track Commissions (2% - .6% etc.)
45305	Program Sales
45405	Concessions
45505	Parking
45605	Novelties and Souvenirs
45705	Comcheck
45805	Promotional and Advertising
45905	Other (explain)
49005	Prior Year Revenue Adjustment
46000	Fair Attractions
46100	Rodeo Admissions
46200	Queen Pageant Admissions
46300	4-Wheel Drive Pull Admissions
46400	Destruction Derby Admissions
46500	Performance Admissions (May use sub-accounts for each paid show)
46600	Other Admissions (explain)
46109	Motorized Racing (May use sub-accounts)
46009	Interim Attractions
46209	Performance Admissions
46309	Other Admissions (explain)
47000	Miscellaneous Fair
47100	Parking
47200	Fair Program Sales and Advertsing Revenue
47300	Utility Fee Reimbursement (May use sub-accounts for water, electric, gas)
47400	Exhibit Guide Revenue (May use sub-accounts for sales, ads, etc.)
47500	Stall Rentals (fairtime)
47610	JLA (Junior Livestock Auction)
47620	JLA - Sponsorships
47630	JLA - Advertising Sales
47640	JLA - Reimbursements
47650	JLA - Prior Year Adjustments
47660	JLA - Other Revenue (explain)

47700	Camping Fees (Fairtime)
47800	Other (explain)
47900	Sponsorships
47005	Miscellaneous Non-Fair Programs
47105	Admissions
47205	Commercial Exhibits
47305	Concessions
47405	Exhibits
47505	Other (explain)
48000	Interim Revenue
48100	Building Rentals
48200	Grounds Rentals
48300	Equipment Rentals
48400	Concessions Revenue
48500	Utility Fee Reimbursement (Non-fair only)
48600	Interim Parking Revenue
48700	Other Interim Revenue
49000	Prior Year Revenue Adjustment (Explain)
49500	Other Operating Revenue
49510	Interest Earnings
49520	Donations/Sponsorships (general)
49530	Other (explain)
49540	Gain on Sale of Asset
49550	Non-Fair Sponsorships

OPERATING EXPENDITURES	
50000	Administrative Expense
50100	Salaries and Wages - Permanent
50200	Salaries and Wages - Temporary
50300	Compensated Absences Expense
50310	Employee Benefits - Employer's Share
50320	Payroll Taxes (Employer's portion of FICA, Medicare, PST fees)
50330	Worker's Compensation Insurance
50400	Professional Services (Contractual)
50500	Directors Expense
50600	Travel/Training Expense
50700	Office Supplies and Expense
50800	Telephone and Postage (May use sub-accounts to separate phone/postage)
50900	Dues and Subscriptions
51000	Insurance (General Liability)
51100	Other Miscellaneous Administration Expense
51200	Unemployment Insurance (Non-Reimbursed Employer Share)

51300	Audit
51400	Bad Debt Expense -Current Year
52000	Maintenance and General Operations
52100	Salaries and Wages - Permanent Employees
52200	Salaries and Wages - Temporary Employees
52210	Employee Benefits - Employer's Share
52220	Payroll Taxes (Employer's portion of FICA, Medicare, PST fees)
52230	Worker's Compensation Insurance
52300	Professional Services (Contractual)
52400	Rent - Land and Buildings
52500	Rental - Maintenance Equipment
52600	Rental - Public Address and Intercom Systems
52700	Temporary Electrical Work (Contractual)
52800	Light, Heat, Water, Power (May use sub-accounts for each entity)
52900	Maintenance of Equipment - Supplies and Expense
53000	Maintenance of Buildings and Grounds - Supplies and Expense
53100	Trash Removal, Clean-up Non-Fair (Contractual including barns, janitorial)
53200	Other (explain)
53300	Special Repairs and Maintenance (Funded by fair, list by project)
54000	Publicity
54100	Salaries and Wages - Permanent
54101	Salaries and Wages - Temporary
54110	Employee Benefits - Employer's Share
54120	Payroll Taxes (Employer's portion of FICA, Medicare, PST fees)
54130	Worker's Compensation Insurance
54200	Professional Services (Contractual)
54300	Supplies and Expense
54400	Advertising (Newspaper, radio, television, etc.)
54500	Promotional Expense (Publicity luncheons, VIP functions, etc.)
54600	Public Relations Expense (Service clubs, press functions, etc.)
54700	Pre-Fair Events (Queen contests, Parades, etc.)
54800	Other (explain)
56000	Attendance Operations
56100	Salaries and Wages - Permanent (gate attendants, ticket takers, etc.)
56101	Salaries and Wages - Temporary (gate attendants, ticket takers, etc.)
56110	Employee Benefits - Employer's Share
56120	Payroll Taxes (Employer's portion of FICA, Medicare, PST fees)
56130	Worker's Compensation Insurance
56200	Professional Services (Contractual: security services, money room, janitorial, etc.)
56300	Supplies and Expense
56400	Other (explain) (Rental of PA & Intercom systems, etc.)
57000	Miscellaneous Fair

57100	Parking Expense - % Paid to Contractor
57101	Parking Salaries and Wages - Permanent
57102	Parking Salaries and Wages - Temporary
57200	Fair Program Expense (May use sub-accounts for printing, wages, supplies, etc.)
57300	Utility Fees (Heat, light, water, power at fairtime)
57400	Exhibit Guide Expense (May use sub-accounts for printing, wages, supplies, etc.)
57500	Stall/Booth Rental Expense
57610	JLA (Junior Livestock Auction)
57620	JLA - BBQ, Lunch, Dinner, Etc.
57630	JLA - Labor Cost
57640	JLA - Supplies and Expense
57650	JLA - Publicity and Marketing
57660	JLA - Leases and/or Rentals
57670	JLA - Fuel and Utilities
57680	JLA - Prior Year Expenditure Adjustments
57690	JLA - Other (explain)
57700	Sponsorship Expense (Fairtime)
57800	Other (e.g., Trash Removal)
57900	Commercial Exhibits and Concessions Expense (Includes tents and booths)
57005	Miscellaneous Non- Fair Programs
57105	Salaries and Wages - Permanent
57106	Salaries and Wages - Temporary
57115	Employee Benefits - Employer's Share
57125	Payroll Taxes (Employer's portion of FICA, Medicare, PST fees)
57135	Worker's Compensation Insurance
57205	Supplies and Expense
57305	Publicity
57405	Attendance
57505	Exhibits
57605	Other Miscellaneous (Explain)
58000	Premiums (For Exhibit programs only)
58100	Cash Awards
58200	Trophies, Medals, Ribbons
58300	Sponsored Cash Awards
58400	Sponsored Trophies, Medals, Ribbons
58500	Other Award Expense (Explain)
63000	Exhibits
63100	Salaries and Wages - Permanent
63101	Salaries and Wages - Temporary
63110	Employee Benefits - Employer's Share
63120	Payroll Taxes (Employer's portion of FICA, Medicare, PST fees)
63130	Worker's Compensation Insurance

63200	Judges (Contractual)
63300	Professional Services - Other (Contractual)
63400	Supplies and Expense
63500	Tent and Booth Rental (For exhibit program only)
63600	Decorations (For exhibit program only)
63700	Other (Explain)
64000	Horse Show
64100	Salaries and Wages - Permanent
64101	Salaries and Wages - Temporary
64110	Employee Benefits - Employer's Share
64120	Payroll Taxes (Employer's portion of FICA, Medicare, PST fees)
64130	Worker's Compensation Insurance
64200	Judges (Contractual)
64300	Professional Services (Contractual)
64400	Supplies and Expense
64500	Cattle Fees
64600	Other (Explain)
64610	Tent and Booth Rental
64620	Decorations
64710	Cash Awards
64720	Trophies, Medals, Ribbons
64730	Sponsored Cash Awards
64740	Sponsored Trophies, Medals, Ribbons
65000	Horse Racing (Live)
65100	Salaries and Wages (Other than pari-mutuel)
65200	Salaries and Wages (pari-mutuel)
65210	Employee Benefits - Employer's Share
65220	Payroll Taxes (Employer's portion of FICA, Medicare, PST fees)
65230	Worker's Compensation Insurance
65300	Professional Services (Contractual)
65400	Supplies and Expense
65500	Purses and Breeder's Fees
65600	Rental - Totalisator Equipment
65700	Rental - Other Equipment
65800	Other (Explain)
65005	Horse Racing (Satellite Wagering)
65105	Salaries and Wages - Permanent
65106	Salaries and Wages - Temporary
65115	Employee Benefits - Employer's Share
65125	Payroll Taxes (Employer's portion of FICA, Medicare, PST fees)
65135	Worker's Compensation Insurance
65205	Traveling/Training Expense for Employees

65505	Publicity and Marketing
65605	Supplies and Expense
65705	Leases and/or Rentals
65805	Fuel and Utilities
65905	CHRB/CARF Impact Fees
80005	Prior Year Expenditure Adjustment
85005	Cash Over/Under
66000	Fair Entertainment Expense
66100	Salaries and Wages - Permanent
66101	Salaries and Wages - Temporary
66110	Employee Benefits - Employer's Share
66120	Payroll Taxes (Employer's portion of FICA, Medicare, PST fees)
66130	Worker's Compensation Insurance
66200	Professional Services (Contractual)
66300	Supplies and Expense
66400	Rodeo
66500	Grounds Entertainment
66600	Grandstand Entertainment
66700	Other (Explain)
66109	Motorized Racing (May use sub-accounts)
66009	Interim Entertainment Expense
66208	Salaries and Wages - Permanent
66209	Salaries and Labor - Temporary
66219	Employee Benefits - Employer's Share
66229	Payroll Taxes (Employer's portion of FICA, Medicare, PST fees)
66239	Worker's Compensation Insurance
66309	Supplies and Expense
66609	Concerts (List)
66809	Other (Explain)
72300	Equipment (non-capitalized)
80000	Prior Year Expense Adjustment
80010	General Expense Adjustments
80020	Bad Debt Expense - Prior Year
85000	Cash Shortages and Overages
85100	Ticket Sales (May use sub-accounts for entry department, etc.)
85200	Souvenir Sales
85500	Merchandise Sales
85900	Other (Explain)
90000	Depreciation Expense
94000	Other Operating Expense
94010	Loss on Sale of Asset
94500	Other Operating Expense (F&E Funds)